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The State-Market Waltz: Growth and Poverty Reduction in the International Development Agenda

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Abstract:
The structural adjustment policies established by the developing countries from the 1980s to the 1990s were dictated by international organizations to purportedly solve problems created by the economic crisis that corroded these countries' economic foundations and political stability. This paper reviews how these conditionalities have changed over time and impacted on economic and social policies of developing countries by reviewing literature and available empirical data especially in the context of Latin America. The paper argues that structural adjustment programs were unable to address problems on economic growth and poverty reduction and the current rhetoric espoused and the policies imposed by international organizations, more particularly the International Monetary Fund and the World Bank, have not made better the lives of the poor.

Keywords: IMF, World Bank, Structural Adjustment, Developing Country, Economic Crisis, Poverty, Social Policies.

Economic crisis and participation of the State in the development process

In the 1980s, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD or the World Bank, as it is commonly known) actively influenced the developing countries' social policies. The international economic crisis, which had started back in the 1970s, caused by the escalation in the petroleum barrel prices, delayed the then current economic growth process in the countries since World War II, generating a combination of inflation, unemployment and socio-political instability.

According to the international financial organizations (the IMF and the World Bank), in addition to the external instability conjuncture that the set of capitalist countries faced in the 1980s, the economic crisis in the developing countries also revealed factors inherent to its political and economic structure, resulting from the modernization model of the 1950s to the 1970s. This occurred because they anchored the growth process of their

economies in developmentalism policies that saw the State as the major economic agent.

IMF and the World Bank advocated that the main cause of the developing countries' economic disorder was the inappropriate use of resources by the national authorities and elites to speed up the development process.

The crisis of the 1980's pointed to the limits of the import substitution policy. For the IMF and the World Bank, the financing of this process would have occurred through an exchange rate appreciation policy that made imports more inexpensive, easing the acquisition of foreign products, chiefly capital goods, which are essential for the industrial modernization. The problem is that this type of policy generated trade imbalance as it stimulated the imports of goods and products. On the other hand, the developing countries' governments practiced a protection policy in the domestic market, increasing the tariff and non-tariff barriers, regulating capitals from other economic activities, and creating state-owned enterprises to invigorate strategic sectors to the domestic development. Thus, even if the infrastructure of roads, seaports, telecommunication and energy systems were not able to guarantee the adequate logistics to benefit local market, or the tax incidence were high, or the authorities were not strict as to the fiscal discipline, the domestic market would be supported by policies that protected the national industry.

The problem is that the protection of the domestic market did not stop the economic stagnation. On the contrary, the developing countries reached the 1980s with their economies under strong inflation pressure, having to index prices of salaries, rents, interests, exchange rate, among others, aiming at correcting future values of goods and services due to the preceding inflation. They sought, with this practice, to strengthen the buying power and the currency value.

The set of protectionist measures would have had as a consequence the enlargement of the balance of payments crisis, as the development was financed with no proper fiscal discipline and was largely dependent on international financial support. Thereby, the majority of these countries showed debt balance in their currency transactions, which caused inflation and stagnation and reinforced the habitual need for external financing.

These intervening variables, called inherent factors of developing countries' domestic policies by the international financial organizations, needed reshaping. A new exchange rate policy was needed, as well as equilibrium in the balance of payments, to include a decrease in the tariff and non-tariff barriers, a reduction in the government taxes and an imposition of a rigorous fiscal and budget control. Thus, it would be possible to get over the capitalism conjuncture crisis en vogue in the 1980s and the structural obstacles of the developing countries.

For the international financial organizations, the actual obstacles of developing countries were structural ones. The solution presented was the decrease of the state participation in the economy, with the market being analyzed as an effective resource grantor, as opposed to the State, which

generated, according to the above-mentioned financial organizations, structural problems. The inefficiencies of the State is perceived to be the culprit of the decreased capacity of countries, to achieve sustainable economic growth.

First-generation structural adjustment

The diagnosis of the developing countries' economy carried out by the international financial organizations prompted the introduction of first-generation structural adjustment programs that, according to Jaime Cesar Coelho, had two core objectives. The first was to provide financial aid to countries with medium-term problems in their balances of payments and the second was to implement an efficient structuring tool of these countries' policies (Coelho, 2002, p. 140).

For Samuel Lichtensztejn & Monica Baer, the structural adjustments policies proposed by the IMF and the World Bank were part of the same project. Therefore, the adjustment proposal advocated by these bodies was anchored in four basic guidelines: 1) **Trade policy** – aimed at decreasing the disparities caused by the industrial protection during the imports substitution process. This implied to liberate trade and lower the effective protection rates of the domestic economy so as to improve the industrial sector's efficiency. Such a policy would leave out the "anti-exporter bias", making use of each country's comparative advantages, but, together with these measures, a price policy that benefited the commodities in the external market was necessary. As regards the energy consumption and production, a price alignment to the international standards was advocated; 2) **Policy of public investments** – consisted of revising the governmental investments, adjusting them to the international price structure and the available resources. For that, the projects needed to be adjusted, favoring the ones that improved the balance of payments, e.g. investments in hydroelectric power, petroleum exploration and export products; 3) **Budget policy** – constrained the governments to reduce the fiscal deficit, favoring production activities and decreasing the unproductive expenses, e.g. consumption subsidies and the unitary costs of social programs; 4) **Institutional reforms** – sought to improve the government enterprises' profitability and efficiency and to operate the definition of their investments according to the external demand and the market competition, in addition to real and positive interest rates (Lichtensztejn, Baer, 1987, pp. 196-198).

But, if the structural adjustment programs financed by the IMF and the World Bank were part of the same project, how can one determine the effective responsibility of each institution in conducting the proposed policies? In other words, what is the function of each institution in this process?

The IMF was burdened chiefly with the task of financing inflation control projects and correcting the balance of payments. For that, the Fund defined that the grant of new loans was conditioned on the establishment of short-term fiscal adjustment, control of prices, monetary and economic reforms. That is, the IMF was in charge of the macroeconomic stability policies.

On the other hand, the World Bank tied its actions to production and institutional restructuring; financing of programs aimed at labor reforms, social assistance, social security and so forth. This set of measures was part of an *ex machina* intervention project, aiming at altering the developing countries' economic and political structure. That is why one of the conditions for which a borrower nation would acquire adjustment loans at the World Bank was to previously accept the conditions imposed by the IMF. It means that both institutions worked complementarily when it came to establishing changes in the developing countries' political and economic structure.

It is in this regard that João Márcio Mendes Pereira states that the concession of loans by the World Bank was conditioned on the acceptance of a package of macroeconomic reforms to introduce the domestic economy into the international environment (2009, p. 157). In other terms, they had to compromise by liberating their economies, integrating them to the global market.

For that, the borrower countries agreed to accept a set of conditions in contracting loans at the international financial organizations, ordered in at least two groups:

1) **Economic**, which defined requisites and goals to develop changes in the national economies' structure, monetary, fiscal, labor and social security reforms, prices liberation (including interest and exchange rates) and economy liberation (integration of local to the global markets), privatization of government-owned enterprises, among others.

2) **Political**, which established institutional reforms; as well as State reforms, social security reforms, the financing of social policies, among others.

As the first-generation structural adjustment programs aimed chiefly at the macroeconomic stabilization and the establishment of changes to alter the developmentalism of developing countries, the financing of social policies was ousted to the background, as attested by the Boletín OED Précis no. 96 of the World Bank Operations Evaluation Department. Loans in the 1980's, for purposes of the World Bank's structural adjustment agenda, rarely incorporated adequate systems of social protection in their first stages. (World Bank, 1995, p. 4).

The fact is that the social policy was linked to changes in other areas. In these terms, the World Bank conditioned the cost of the social policy to the borrower countries' budget capacity. This was an old motto of the Bank, because since the time it started the social financing agenda in the 1970s, it imposed this condition as a limit to the enlargement of expenses in the social sector. Thus, even in the McNamara administration (April1968 to June 1981), in which this type of policy was favored in the institution's agenda, the enlargement of these expenses per country was conditioned on the rate of economic growth (i.e., the increase in the collection of public revenues.)

In this perspective, budget control was the motto that transformed even more the social policies of national States into residual policies. At most, programs focused on the poor were established, that is, the poor should be the

population helped by the social policies, disallowed any option for universal welfare policy in the form of social rights.

Thus, the first-generation structural adjustment programs restricted the social policies to compensating policies, aimed at the more vulnerable populations, who needed urgent help. But they were supposed to be transient, as long as the adjustment policies profited results and the developing countries recommenced their growth. The income and material conditions of the poor would improve and the market would be the nerve center for the conquest of life improvement, not the governments.

The financing of social policies for the developing countries started to be conditioned, then, by technical eligibility criteria that defined the beneficiaries according to the urgency, the budget needs and the fiscal adjustment – three core items for the policy to be established as part of the solutions of the 1980s' crisis and as a requirement so that the borrower countries' political and economic structure was altered. Even more than that, they were intimately related to the primary fiscal surplus imposed on the governments, as a way to balance the government expenditures.

It is by this logic that the first-generation structural adjustment programs made social protection secondary to the growth objective. As postulated by Devesh Kapur, John P. Lewis and Richard Webb, the priority was the recovery of economic growth and, if the adjustment were successful, the developing countries would resume their growth and, within this interval, the more vulnerable populations would return to have access to welfare as an immediate consequence of this growth (1997, p. 26).

The economic argument may be seen when analyzing the role of the State in the establishment public policies, which implied, chiefly, to incentivize some sectors of the economy: those absorbing a larger workforce of poor people. As stated by the Boletín OED Précis, the improvement in the poor's working conditions would be subject to the adoption of governmental investment programs that would incentivize some sectors with a large workforce concentration, e.g. agriculture, the exports and the informal sector, which would be the major employment sources, in addition to the need to invest in the social sector, e.g. the primary education, so that the future opportunities would be improved, in the long term (World Bank, 1995, p. 4).

As a result, stagnation of social investments was observed. Thus,

> the GDP proportion as regards the social expenditures decreased by half in the 34 countries that received adjustment loans, for which there are data. The per capita social expenditure was reduced in real terms in more than half of these countries (World Bank, 1995, p. 4).

It cannot be denied that a policy that favored restrictions on social expenditures in addition to increasing taxes and raising the government tariffs

to the international levels, had immediate and severe consequences on the domestic economies of poor countries; shrinking these economies and causing unemployment and social inequalities, leading to vicious cycle of deprivation. Such measures instead of initiating the recovery of the developing countries' economic growth, adversely affected the development of countries, mainly in Latin America and Sub-Saharan Africa.

This means that the measures imposed by the first-generation structural adjustment programs were not enough to spur growth and recovery. According to Marco Vales Buratto and Sabino da Silva Porto Júnior, these programs deterred, than catalyzed economic growth. They observed that, throughout the 1980s, these countries experienced

> low economic growth rates, when compared to the 1970s and the first-half of the 1980s, and, for 1982 and 1983, Latin America's economic growth had been negative (Buratto, Porto Júnior, 2001, p. 108).

Second-generation structural adjustment

In 1987, the report Adjustment with a human face is published by the United Nations Children's Fund (UNICEF). UNICEF's report analyses the negative repercussions of the first-generation structural adjustment programs upon the developing countries' domestic health and education policies, especially Sub-Saharan Africa.

One of the conclusions of the report is that, by imposing the strict conditions upon borrower countries, the IMF and the World Bank limited the capacity of national governments in defining public and social policies compatible with each country's needs, especially the support to poverty reduction efforts and children. Another criticism is that the rigid fiscal measures pushed the environment into the background. This set of factors increased the social inequalities and the natural resources degradation. By reducing the public policies to economic adjustments, the international financial organizations worsened the condition of other sectors essential for human development (Cornia, Jolly, Stewart, p. 1987).

On the other hand, in 1989, the World Bank published the report Sub-Saharan Africa: from Crisis to Sustainable Growth. Therein, the Bank discussed Sub-Saharan Africa's problems (soil erosion, agricultural cultivation, climatic changes, development experiences and strategies, public and social policies, political regime).

In analyzing the situation of Sub-Saharan Africa, the World Bank recognized that the first-generation structural adjustment programs were not enough for growth recovery and that the restrictive economic policies have aggravated the region's social problems. As per the Report,

> "(...) It is not sufficient for African governments merely to consolidate the progress made in their adjustment programs.

The following Table illustrates well the behavior of Latin America's growth rates from the 1950s to 1988. It is important to point out that the gap between 1982 and 1989 marks the first stage of the structural adjustment programs, the period of more strict conditions and budget control.

Table 1 Gross Domestic Product per Capita and Growth Rates of Latin American Countries[a]

	Participation in the Total Population		Participation in regional GDP		GDP per capita (1975 US$)		GDP per capita growth rate (% yearly)	
Brazil	35.6		22.2	34.2	637	2,152	4.2	0.2
Mexico	20.2		18.5	23.1	1,055	2,547	3.0	-1.3
Argentina	8.0		21.2	11.8	1,877	3,209	1.8	-1.9
Colombia	7.5		7.2	6.3	948	1,882	2.3	0.4
Venezuela	4.3		7.2	7.1	1,811	3,647e	2.4c	-1.8
						(3,310)d	(1.5)d	
Peru	5.1		4.9	3.9	953	1,746	2.1	-1.7
Chile	3.2		5.7	3.4	1,416	2,372	1.8	0.2
Uruguay	0.8		3.1	1.2	2,184	3,269	1.4	-1.2
Ecuador	2.3		1.4	1.8	638	1,556	3.1	-0.9
Guatemala	2.0		1.6	1.2	842	1,422	1.6	-2.4
Dominican Republic	1.7		1.1	1.1	719	1,564	2.6	0.2
Bolivia	1.8		1.4	0.8	762	1,114	1.3	-3.3
El Salvador	1.8		0.6	0.5	612	899	1.3	-1.9
Paraguay	0.9		0.8	0.7	885	1,753	2.4	-0.4
Costa Rica	0.8		0.5	0.6	819	2,170	3.3	-1.1
Panama	0.5		0.5	0.5	928	2,157	2.9	-3.0
Nicaragua	0.7		0.5	0.4	683	1,324	2.3	-3.4
Honduras	1.0		0.8	0.4	680	1,031	1.4	-1.8
Haiti	1.6		0.8	0.2	363e	436	0.7	0.0
Latin America							3.0c	-1.4
							(2.7)d	

Source: Cardoso, E., Helwege, A. À margem da subsistência: pobreza na América Latina, 1990, p. 107.

NOTE: The GDP per capita growth rate of Venezuela from 1950 to 1980 is 1.9% yearly, IMF: IFS; for Chile and Honduras, the average rate of per capita growth, according to Summers and Heston, is 0.004 higher than on IMF: IFS and, for Nicaragua, it is almost 0.01 higher: the average for Latin America is practically not affected by the growth rates of Honduras and Nicaragua, due to their small participation in the region's population

a Countries ordered according to the average participation in the regional GDP from 1950 to 1985.
b Preliminary.
c Data adjusted for changes in the trading terms.
d Data not adjusted for changes in the trading terms.
e 1960.
f Except Cuba.

The weak performance of the economy in the 1980s resulted to the decline in the living standard of a wide range of sectors of the population and the increase in the number of poor people practically throughout Latin America. Thus, the restrictive economic measures were not enough to cause positive changes capable of diminishing the social inequalities and poverty, as exemplified in the following Table, for Mexico, Peru and Venezuela.

Table 2 Percentage of the Population Living in Poverty

	Percentage of the population living below			
	The poverty line		The extreme poverty line	
	1970	Mid-1980s 80	1970	Mid-1980s 80
Mexico	34	51	12	22
Peru	50	59	25	34
Venezuela	25	37	10	13

Source: Cardoso, E., Helwege, A. *À margem da subsistência: pobreza na América Latina, 1990, p. 106.*

On the other hand, the data referring to the GDP of Sub-Saharan Africa corroborate the thesis that the first-generation structural adjustment programs were not enough for the growth recovery. Thus, if the region's economy is analyzed, one can realize that it was exactly in the implementation period of those structural adjustment programs that its economy had the worst performance.

In a first stage, from 1960 to 1974, Sub-Saharan Africa increased at an average yearly rate of 5.3%. In a second stage, from 1974 to 1981, the growth deceleration occurred, with growth rate of 2.7%. In the third stage, from 1981 to 1993, the average yearly growth was around 1%. It is in that time that the first-generation adjustment programs were established, emphasizing that, in this period, this region's countries started to have, as the major source of international financing, the Official Development Assistance (ODA) (Estêvão, 2005, pp. 4-5).

A fourth stage occurred from 1993 to 2002. In this stage, a timid recovery process was observed, only with an annual growth of 3.2% (Estêvão, 2005, pp. 4-5). It is important to point out that the current research analyzed the loan policy of the World Bank up to 2004, the year in which the structural adjustment programs ended, when they are replaced by a new modality of credits, the Development Policy Lending (Vadell, 2009, p. 1).

As can be seen, the developing countries' problems could not be solved only with economic measures. This was the legacy of the adjustment programs forced by international agencies on the governments, policymakers, and citizens of the developing world.

> They need to go beyond the issues of public finance, monetary policy, prices, and markets to address fundamental questions relating to human capacities, institutions, governance, the environment, population growth and distribution, and technology. Changes in perceptions and priorities, as well as in incentives, will be required to bring about improvements." (World Bank, 1989, p. 1).

By recognizing that the structural adjustment programs were not enough for growth and recovery in Sub-Saharan Africa in the 1970s and the first half of the 1980s, the World Bank admitted that political variables also intervened in the development process. Thus, the report shows that,

> "... equally worrying is the widespread impression of political decline. Corruption, oppression, and nepotism are increasingly evident. These are hardly unique to Africa, but they may have been exacerbated by development strategies that concentrated power and resources in government bureaucracies, without countervailing measures to ensure public accountability or political consensus. On the one hand, in several countries the neglect of due process has robbed institutions of their legitimacy and credibility. On the other hand, the proliferation of administrative regulations such as licensing, controls, and quotas has encouraged corruption and set the individual against the system." (World Bank, 1989, p. 22).

The report *Sub-Saharan Africa: from Crisis to Sustainable Growth* is in accordance with the idea that development process and growth recovery should be related to that of the human and political development. That is, they should stimulate changes in African governments, by avoiding the bureaucratic obstruction, rent-seeking behavior, poor judicial systems and arbitrary decision-making (World Bank, 1989, p. 3).

The thesis that political variables intervene in economic results instigated two new conditions in World Bank's loans to developing countries: governability and governance. Bank borrowers were required to incorporate institutional reforms. It is with this attitude that the Bank implemented the second generation of structural adjustment programs.

Governability can be defined as the quality of what is governable, that is, the set of institutions that forges the political and economic equilibrium, and guarantees public stability to enable a government to rule well. It includes political regimes, relations amongst powers and party systems, and relationship between the State and civil society. According to José Luís Fiori, the concept of governability was associated with Samuel Huntington who, in the 1970s, likened it to the idea of institutional frailty and, consequently, ungovernability of

periphery countries. Thus, Huntington argues that the excess of distributive demands and the mass social participation in a little institutionalized political system could lead to political instability (Fiori, 1995, pp. 1-2).

For Fiori, the concept of governability advocated by the World Bank's strategies in the 1990s have a more technical notion, related to governance and the good governance agenda, than that postulated by Huntington. Therefore, "[...] what is its conceptual novelty? Little. This new definition increases only the rigor in the institutional detailing of what a good, small, and, especially, reliable government would be from the international community viewpoint." (Fiori, 1995, p. 3). The governability is shown, in these terms, as an institution capable of generating the necessary conditions for the good exercise of power, which is fundamental for the success of structural adjustment programs.

Through this logic, the World Bank brought into the international political scene the need for forging regimes that praise rectitude and probity, denoting a responsibility with public assets. This conception leads the Bank to concoct the concept of governance, which means then, as the exercise of political power that rules a nation's affairs (World Bank, 1989, pp. 60-61). In essence, governance would be the set of activities, enterprises and responsibilities upon which political and social agents define common objectives.

For the World Bank, governance aims to generate reliability between the public power and civil society, and for that, it is related to accountability, the responsibility of political processes and governmental behavior. This means that governance has the power to create the necessary conditions for governability, as it aims to shape the public and representative bodies' behavior, infusing and affirming republican values of respect to rights and social interest.

By the World Bank's understanding, good governance would lead to a good functioning of the economy, as it would forge the sustainable equilibrium between the public and the private sectors, strengthening their actions and interests. An efficient and legitimate public power, instead of being antagonist to the market's principles, would be complementary. In this perspective, good governance would be synonymous to an institutional stability essential to the realization of a market economy.

For the Bank, these principles would create the institutional conditions for the control of public agents, avoiding rent-seeking behaviors to the most that, historically, would have corroded the economy and the developing countries' resources. Practices such as clientelism, corruption and nepotism would be generalized privileges in a society where the rule of law had not been consolidated yet. In such situations, public resources and the political institutions would serve a minority, who takes benefits from the State by having privileged access to government bodies.

By this logic, the second-generation structural adjustment programs recognize the State as a development tool. As stated on the World Development Report (1997), entitled The State in a Changing World, "[...] State-dominated development has failed, but so will stateless development. Development without

an effective state is impossible." (World Bank, 1997, p. 25). For Valeriano Mendes Ferreira Costa,

> the greatest advancement accomplished by the report (1997) was the understanding that there is no market, nor civil society, without a capable and effective State. Obviously, the novelty is not in the discovery that an incapable or ineffective State cannot uphold the order or hinders a country's economic development. But, in the awareness that a good part of — maybe the most part of — States in the developing countries suffers, to a larger or a smaller extent, chronic 'incapacity' and/or 'ineffectiveness' and that, furthermore, the collapse of state functions is a real threat to the nations (Costa, 1998, p. 15).

The second-generation structural adjustment program now conceptualizes the State as a strategic mechanism for consolidating the markets in the developing countries. More than substituting the markets' failures, the States should work in collaboration with markets but not replace its functions.

A good government, for the World Bank, should follow these guidelines: 1) a state administration committed to fiscal responsibility and State reform; 2) accountability, decisions and policies legitimated through recognized and accepted rules by the citizens in general; 3) a regulatory framework capable of defining norms and directives that regulate and stabilize the actions of the private and public sectors; 4) participation of society, constitutionally assuring that the civil society take part in governmental programs and projects.

As it can be seen, the World Bank has now a new understanding of the State-society-market relationship. Now, the liberal market mechanisms would be strengthened by the State and not otherwise, as previously advocated. All that leads to the need for reforms in the state machine, aiming at ending the developmentalism and paternalist State, grounded on privileges that stimulated its capture by restricted sectors which is harmful to the interests of an open and pluralist society.

On the other hand, the organization and participation of the civil society in the political sphere were not seen any longer as a problem and started to be regarded as a solution, a way to control the rent-seeking practices. Thus, the Huntingtonian arguments, which saw in people's participation reasons for concern, as it would lead to a decisory paralysis, are now replaced by another concept, which sees in participation the possibility of consolidating the citizenry and strengthening a liberal society, accustomed to the market economy.

This is the theory that underlines the World Bank's projects and programs – the notion of social empowerment as a reciprocity tool between the State and the civil society. Empowerment, in this case, means to provide the citizens with the resources that allow them to be able to make their own decisions (Pase,

2007, p. 251). It is an approach that puts the people and the power in the core of development and a process in which individuals, civil society's organizations and communities assume for themselves the control and monitoring of their affairs and lives, and recognize their abilities and competences to create and produce (Romano, 2002, p. 17).

Inspired by this new ideation, the World Bank cemented a development policy from the 1990s and onwards, that in a situation where the institutions function well (governability), grounded by good governance and by empowerment requisites, the social policies to eradicate poverty could be linked, unrestrained, to the market. It is through this perspective that Amartya Sen's ideas are incorporated to the Bank's theoretical-strategic principles.

The social policies are now oriented to expand the individual's actual liberties, whose actions are conditioned by political, social and economic opportunities. Thus,

> the liberty's expansion is the priority end and, simultaneously, the chief means of development. The development consists of removing various types of restrictions that leave people with few choices and little opportunity to exert their rational action (Silva, 2004, p. 2.).

Sen advocates that the expansion of liberties is closely linked to entitlement, i.e., a set of provisions that a person has and can command in a society. This means that individual needs to possess resources that have a social value, which can strengthen their hold on provisions, produce and use outputs of production, and take advantage of trade conditions (i.e. potential to purchase and sell goods and determine the relative prices of different products, such as hand-crafted ones and staple food) (Sen, 2000, pp. 190-193).

Through this perspective, the social policies advocated by the World Bank aimed at equipping individuals with certain economic and political liberties. In these terms, politics and economy are seen as a part of the same process, fed backwards and focused on human capacities in order to generate social opportunities and wealth. This leads the Bank to advocate for investments in education and health. The World Bank argues that the expansion of liberties is the starting point of social policies that would lead to sustainable development process.

Thus, the World Bank's social policies seek to advocate for conditions where the poor may acquire "packages" that enable the expansion of personal liberties and increase their income. These policies intend to make the poor and the socially vulnerable more competitive and able to solve their economic needs by themselves.

This is the same as giving power to the poor and the socially vulnerable, that is, to empower them. But, for what purpose? As advocated by the Report on the World Development (2000/2001), the fight against poverty should be centered

on enterprises that enable the poor's empowerment and entitlement, giving them voice, expression and representation (World Bank, 2000, p. 118).

This leads to the defense of focused social policies, to which the non-poor should not have access, as they would have the repairing function of correcting some previous distributions of resources and advantages that predetermine the individuals' chances of success in the market. This recognizes that there are "unjust" inequalities which substantially limit the success possibilities of some social groups (the poor, the African-Americans, women etc.) but are not results of individual choices and responsibilities, but from generally uncontrollable events (Kerstenetzky, 2006, p. 566).

By defending the idea of development as freedom, the World Bank is now recognizing that the macroeconomic aspects would not be enough to solve poverty. Empowerment and "entitlement" would, actually, be the mechanisms with a real potential to compensate for the previous unequal distribution of resources and advantages. Thus, under this paradigm, social policies should endow people with a set of material and symbolic capacities that strengthen them as active citizens.

Social policies should have the force to strengthen the individuals in view of the market's uncertainties. That is why Ana Paula Ornellas Mauriel advocates that the development, seen from the individual liberty perspective (as defined by Sen), denotes a learning and qualification process that would enable people to self-sufficiency, with the power to decide for themselves, to be free in their choices, with no tutelage from the State (2008, p. 326).

This type of solution has been at the core of World Bank's policies. It focuses on poverty alleviation mechanisms for individuals (e.g. conditional cash transfers). It stimulates the formation of "small" governments (minimal State), displacing policies that were geared towards establishing a developmental State or a welfare State. Thus, empowering individual liberties means, making the poor qualified for market competition, which is the safest way, according to the World Bank, to assure national and individual prosperity.

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